# APC Technology Group PLC
# Unaudited Interim Results
# For the six months ended 28 February 2014
## Chairman's Statement

The six-month period ended 28 February 2014 was one of further growth and development for the Group. Revenues of £12,098,000 were 31.7% higher than in the corresponding period in the prior year (£9,187,000) as a result of continued expansion in the Minimise business which continues to take advantage of the increasing demand for end-to-end technology and service offerings designed to reduce energy consumption. Profit before taxation was substantially higher at £761,000 compared with £47,000 reported for the 6 months to 28 February 2013. This profit growth was achieved whilst the Group continued to invest in developing a sales presence in North America. This included the opening of representative offices in Miami, Florida and Waterloo, Ontario.

The Group's financial position strengthened through the period and as at 28 February 2014 net cash stood at £1,353,000 compared with £966,000 at 31 August 2013, an increase of 40%, and a net debt position of £1,729,000 as at 28 February 2013. The cash in-flow from operating activities for the period was £920,000 (H1 2013: out-flow £548,000). No interim dividend is proposed as the Board believes that investing in the significant growth opportunities in the market for energy saving products and services which the Group has is more important at this stage of the Group's development.

At the end of the last calendar year, the Group completed the acquisition of the remaining 10 per cent. minority shareholding in Minimise Energy Limited for a cash consideration of £386,000 and satisfied the deferred consideration of £100,000 in respect of the acquisition of Minimise Limited as disclosed in the 2013 Report and Accounts. This enabled the Board to simplify the Group structure and market the energy efficiency related businesses more effectively under the "Minimise" brand. Minimise now consists of three clearly defined divisions: products and technologies that are delivered by Minimise Energy Limited, strategic consulting and other services fulfilled by Minimise Solutions Limited, and project financing arranged through the newly incorporated Minimise Finance Limited. Our recently updated website provides further details.

During the period, senior management has worked hard to ensure that Minimise is capitalising on the significant market opportunity presented by the growing awareness of enterprises of all sizes, particularly large multi-site businesses, of the energy saving impact on the bottom line. In addition to the on-going relationships with a number of existing customers, new clients signed in the period include Network Rail, for whom we have recently completed the supply of lighting for London's Victoria Station, and a number of other high profile customers who are now placing significant business in the UK.

The Group continues to focus on widening not only its client base but also the sectors and geographies it supplies in order to reduce reliance on any one sector or customer; significant progress has been made in this respect and we are pleased to announce that we end the period with a record pipeline in terms of both the value and number of customer relationships being developed. Our experience to date indicates that the typical business development cycle leading to full deployment with significant customers is circa eighteen months. We are at an advanced stage in this cycle with a large number of customers and expect to be in a position to disclose further details once full scale deployment is underway later this year. We are also pleased to report that the benefits of an expanded offering are beginning to bear fruit with cross-selling opportunities with the enlarged group offering beginning to come through.

In North America, progress is also being made with customers across a range of sectors. We continue to secure the required regulatory approvals to enable us to widen our product offering in the region and, where demonstrations and trials have been undertaken, technologies and services have been very well received and initial orders have been placed.

Invisible Systems Limited ('ISL'), in which we have a 25% associate holding, has become an increasingly important constituent of the Group as the monitoring and control products supplied by ISL are seen as a significant differentiator in our product offering. Our share of the profit generated by ISL in the period was £33,000 but, more importantly, the technology is proving pivotal in deepening a number of key customer relationships. In addition to low energy LED lighting and energy monitoring & control systems, progress has been made in securing access to a number of other complementary technologies which will be released during the second half of the current financial year, further expanding our offering.

The Group's electronic components distribution business has performed in line with expectations with sales marginally lower than in the prior year. It is anticipated that a number of large contracts won in the first quarter and the generally improving market conditions should provide the foundation for a return to growth for the business in the near term.

Overall, the outlook continues to be very encouraging, with a growing customer base and a significantly increased project pipeline. The market for energy savings products and services is gaining considerable momentum and the Board is confident that the results achieved so far will be expanded upon. With the successful integration and continued growth of Minimise, the Board will continue to evaluate further opportunities to expand its product suite or customer base where appropriate. The Board would like to thank shareholders for their ongoing support.

**Leonard Seelig**
*Chairman*
29 May 2014

## CONDENSED CONSOLIDATED STATEMENT OF INCOME
for the 6 months ended 28 February 2014

| | Note | **6 months ended 28 February 2014 (unaudited) £000** | 6 months ended 28 February 2013 (unaudited) £000 | Year ended 31 August 2013 (audited) £000 |
|---|---|---|---|---|
| Revenue | 4 | **12,098** | 9,187 | 21,657 |
| Cost of sales | | **(7,604)** | (6,648) | (15,100) |
| **Gross profit** | | **4,494** | 2,539 | 6,557 |
| Administration expenses | | **(3,736)** | (2,420) | (6,098) |
| Share of results of associates | | **33** | - | (2) |
| **Operating profit before exceptional items** | | **791** | 119 | 457 |
| Exceptional items | | - | - | 4,152 |
| **Operating profit** | | **791** | 119 | 4,609 |
| Finance costs (net) | | **(30)** | (72) | (92) |
| **Profit before taxation** | | **761** | 47 | 4,517 |
| Taxation expense | | **(206)** | (18) | (256) |
| **Profit for the period** | | **555** | 29 | 4,261 |
| **Attributable to:** | | | | |
| Equity holders of the parent | | **689** | 7 | 4,065 |
| Non-controlling interests | | **(134)** | 22 | 196 |
| | | **555** | 29 | 4,261 |
| The results all relate to continuing operations. | | | | |
| **Basic earnings per share** | 5 | **1.2p** | 0.0p | 11.6p |
| **Diluted earnings per share** | 5 | **1.2p** | 0.0p | 11.2p |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the 6 months ended 28 February 2014

| | **6 months ended 28 February 2014 (unaudited) £000** | 6 months ended 28 February 2013 (unaudited) £000 | Year ended 31 August 2013 (audited) £000 |
|---|---|---|---|
| **Profit for the period** | **555** | 29 | 4,261 |
| **Other comprehensive income** | | | |
| *Items that may be subsequently reclassified to profit or loss* | | | |
| Currency translation movement arising on consolidation | **(15)** | - | - |
| Other comprehensive income net of tax | **(15)** | - | - |
| **Total comprehensive income for the period** | **540** | 29 | 4,261 |
| **Attributable to:** | | | |
| Equity holders of the parent | **680** | 7 | 4,065 |
| Non-controlling interests | **(140)** | 22 | 196 |
| | **540** | 29 | 4,261 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 28 February 2014

| | 28 February 2014 (unaudited) £000 | 28 February 2013 (unaudited) £000 | 31 August 2013 (audited) £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | **7,173** | 3,216 | 7,173 |
| Property, plant and equipment | **298** | 219 | 192 |
| Other investments | **1,275** | - | 1,243 |
| Financial asset | - | 207 | - |
| | **8,746** | 3,642 | 8,608 |
| **Current assets** | | | |
| Inventories | **1,474** | 752 | 1,592 |
| Trade and other receivables | **4,431** | 3,028 | 3,987 |
| Cash and cash equivalents | **1,447** | 160 | 1,182 |
| | **7,352** | 3,940 | 6,761 |
| **Total assets** | **16,098** | 7,582 | 15,369 |
| **Current liabilities** | | | |
| Trade and other payables | **(4,353)** | (2,101) | (4,530) |
| Financial liabilities | **-** | (1,516) | (134) |
| Current tax liability | **(239)** | (73) | (32) |
| | **(4,592)** | (3,690) | (4,696) |
| **Net current assets** | **2,760** | 250 | 2,065 |
| **Non-current liabilities** | | | |
| Financial liabilities | **(94)** | (373) | (60) |
| Deferred tax liability | **(28)** | (7) | (22) |
| **Net assets** | **11,384** | 3,512 | 10,591 |
| **Equity attributable to equity holders of the company** | | | |
| Called up share capital | **1,163** | 608 | 1,147 |
| Share premium account | **8,103** | 835 | 8,010 |
| Share option valuation reserve | **319** | 280 | 295 |
| Other reserves | **-** | 13 | - |
| Translation reserve | **(9)** | - | - |
| Retained earnings | **1,746** | 1,794 | 1,180 |
| **Equity attributable to equity holders of the parent** | **11,322** | 3,530 | 10,632 |
| Non-controlling interests | **62** | (18) | (41) |
| **Total equity** | **11,384** | 3,512 | 10,591 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 28 February 2014

**for the 6 months ended 28 February 2014**

| | Share capital | Share premium account | Share option reserve | Other reserves | Translation reserves | Retained earnings | Sub total | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| at 1 September 2013 | 1,147 | 8,010 | 295 | - | - | 1,180 | 10,632 | (41) | 10,591 |
| Profit / (Loss) for the period | - | - | - | - | - | 689 | 689 | (134) | 555 |
| Other total comprehensive income for the period | - | - | - | - | (9) | - | (9) | (6) | (15) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **(9)** | **689** | **680** | **(140)** | **540** |
| **Transactions with owners** | | | | | | | | | |
| Issue of new shares | 16 | 93 | - | - | - | - | 109 | - | 109 |
| Group's and non-controlling interest in new subsidiary | - | - | - | - | - | 304 | 304 | 202 | 506 |
| Share option charge | - | - | 24 | - | - | - | 24 | - | 24 |
| Non-controlling interest acquired | - | - | - | - | - | (41) | (41) | 41 | - |
| IAS 27 transfer to reserves on business acquisitions | - | - | - | - | - | (386) | (386) | - | (386) |
| | 16 | 93 | 24 | - | - | (123) | 10 | 243 | 253 |
| **at 28 February 2014 (unaudited)** | **1,163** | **8,103** | **319** | **-** | **(9)** | **1,746** | **11,322** | **62** | **11,384** |

**for the 6 months ended 29 February 2013**

| | Share capital | Share premium account | Share option reserve | Other reserves | Translation reserves | Retained earnings | Sub total | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| at 1 September 2012 | 592 | 790 | 261 | 9 | - | 1,787 | 3,439 | (52) | 3,387 |
| Profit for the period | - | - | - | - | - | 7 | 7 | 22 | 29 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **7** | **7** | **22** | **29** |
| **Transactions with owners** | | | | | | | | | |
| Issue of new shares | 16 | 45 | - | - | - | - | 61 | - | 61 |
| Convertible loan notes | - | - | - | 4 | - | - | 4 | - | 4 |
| IAS 27 transfer to reserves on business acquisitions | - | - | - | - | - | - | - | 12 | 12 |
| Share option charge | - | - | 19 | - | - | - | 19 | - | 19 |
| | 16 | 45 | 19 | 4 | - | - | 84 | 12 | 96 |
| **at 28 February 2013 (unaudited)** | **608** | **835** | **280** | **13** | **-** | **1,794** | **3,530** | **(18)** | **3,512** |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Continued

**for the year ended 31 August 2013**

| | Share capital | Share premium account | Share option reserve | Other reserves | Translation reserves | Retained earnings | Sub total | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| at 1 September 2012 | 592 | 790 | 261 | 9 | - | 1,787 | 3,439 | (52) | 3,387 |
| Profit / (Loss) for the period | - | - | - | - | - | 4,065 | 4,065 | 196 | 4,261 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **4,065** | **4,065** | **196** | **4,261** |
| **Transactions with owners** | | | | | | | | | |
| Issue of new shares | 555 | 7,220 | - | - | - | - | 7,775 | - | 7,775 |
| Convertible loan notes | - | - | - | (9) | - | 9 | - | - | - |
| Non-controlling interest acquired | - | - | - | - | - | 185 | 185 | (185) | - |
| IAS 27 transfer to reserves on business acquisitions | - | - | - | - | - | (4,866) | (4,866) | - | (4,866) |
| Share option charge | - | - | 34 | - | - | - | 34 | - | 34 |
| | 555 | 7,220 | 34 | (9) | - | (4,672) | 3,128 | (185) | 2,943 |
| **at 31 August 2013 (audited)** | **1,147** | **8,010** | **295** | **-** | **-** | **1,180** | **10,632** | **(41)** | **10,591** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
for the 6 months ended 28 February 2014

| | **6 months to 28 February 2014 (unaudited) £000** | 6 months to 28 February 2013 (unaudited) £000 | Year to 31 August 2013 (audited) £000 |
|---|---|---|---|
| **Reconciliation of cash flows from operating activities** | | | |
| Profit before taxation for the period | **761** | 47 | 4,517 |
| Share of results of associates | **(33)** | - | 2 |
| (Profit) / Loss on disposal of property, plant and equipment | **-** | (2) | 1 |
| Finance costs (net) | **30** | 72 | 92 |
| Financial Asset Provision | **-** | - | 143 |
| Taxation | **-** | (2) | (58) |
| Depreciation and amortisation | **42** | 43 | 92 |
| Decrease / (increase) in inventories | **118** | (107) | (946) |
| Decrease / (increase) in trade and other receivables | **68** | (525) | (1,434) |
| (Decrease) / increase in trade and other payables | **(90)** | (93) | 2,201 |
| Fair value adjustments | **-** | - | (4,152) |
| Share-based payments | **24** | 19 | 34 |
| **Net cash from operating activities** | **920** | (548) | 492 |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | **(148)** | (30) | (113) |
| Acquisition of subsidiary undertakings, net of cash acquired | **(486)** | (9) | (879) |
| Acquisition of shares in associate | **-** | - | (750) |
| Proceeds from Sale of Equipment | **-** | - | 14 |
| **Net cash used in investing activities** | **(634)** | (39) | (1,728) |
| **Cash flows used in financing activities** | | | |
| Finance costs | **(30)** | (72) | (101) |
| Hire Purchase Contracts | **34** | - | 39 |
| Proceeds from issue of convertible loan notes | **-** | 100 | 100 |
| Proceeds of Share Issue | **109** | - | 3,056 |
| Bank short-term invoice discounting facility | **(113)** | 766 | (567) |
| Repayment of bank loan facility | **(21)** | (63) | (125) |
| **Net cash used in financing activities** | **(21)** | 731 | 2,402 |
| **Increase in net cash** | **265** | 144 | 1,166 |
| Cash and cash equivalents as at 1 September | **1,182** | 16 | 16 |
| Increase in net cash | **265** | 144 | 1,166 |
| **Cash and cash equivalents as at period end** | **1,447** | 160 | 1,182 |

## NOTES TO THE INTERIM REPORT

**1. General information**

APC Technology Group PLC is a public limited Company ("the Company / the Group") incorporated in the United Kingdom under the Companies Act 2006 (registration number 01635609). The Company is domiciled in the United Kingdom and its registered address is 47 Riverside, Medway City Estate, Rochester, Kent, ME2 4DP. The Company's Ordinary Shares are traded on The AIM Market of the London Stock Exchange. The Group's principal activities are the distribution of specialist electronic components and the sale of smart energy saving products and services.

**2. Basis of preparation**

This unaudited consolidated interim financial information has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively EU IFRSs). The principal accounting policies used in preparing the interim results are those it expects to apply in its financial statements for the year ended 31 August 2014 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 August 2013.

The financial information does not contain all of the information that is required to be disclosed in a full set of IFRS financial statements. The financial information for the six months ended 28 February 2014 and 28 February 2013 is unreviewed and unaudited and does not constitute the Group's statutory financial statements for those periods. The comparative financial information for the full year ended 31 August 2013 has, however, been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

The financial information in the Interim Report is presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

**3. Acquisitions**

On 1 November 2013 the Group increased its equity holding in Minimise Energy Limited to 100% (31 August 2013: 90%) for a consideration of £386,000. In accordance with IAS 27, "consolidated and separate financial statements", the fair value of the consideration payable on the 1 November 2014, net of non-controlling interest acquired, has been transferred to retained earnings.

A summary of the transaction is set out below, for information. A full disclosure will be made in the Group's annual report and accounts in accordance with IFRS 3.

Consideration paid for non-controlling interests were:

| | Minimise Energy Limited £000 | **Total £000** |
|---|---|---|
| **Consideration paid** | | |
| Cash consideration paid in the period | 386 | **386** |
| Total consideration | 386 | **386** |
| Non-controlling interest acquired | 41 | **41** |
| **Transfer to retained earnings** | 427 | **427** |

**4. Segmental information**

IFRS 8 "operating segments", requires consideration of the chief operating decision maker ('CODM') within the Group. In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the CEO, who reviews internal monthly management reports, budget and forecast information as part of this. Accordingly the CEO is deemed to be the CODM.

Operating segments have then been identified based on the reporting information and management structures within the Group. The Group has one customer representing over 10% of revenue and most of the revenue in the "Minimise" segment was derived from this one customer.

The Group operates in two trading business segments.
• The distribution of specialist electronic components (APC).
• The sale of smart energy saving products and services (Minimise).

The Group also contains a central services segment that provides support to the trading businesses.

In the table below reportable segment assets and liabilities include inter segment balances. These have been included to reflect the assets and liabilities of the segment as monies are freely moved around the group to provide funding for working capital where required.

| **Segmental information**<br>**for the 6 months ended 28 February 2014 (unaudited)** | **28 February 2014**<br>**(unaudited)**<br>**£000** | 28 February 2013<br>(unaudited)<br>£000 | 31 August 2013<br>(audited)<br>£000 |
|---|---|---|---|
| **Revenue** | | | |
| APC | **6,220** | 6,388 | 12,706 |
| Minimise | **5,878** | 2,799 | 8,951 |
| **Total revenue** | **12,098** | 9,187 | 21,657 |
| **Profit / (loss) before tax** | | | |
| APC | **86** | 251 | 127 |
| Minimise | **675** | (204) | 363 |
| **Profit before tax for reported segments** | **761** | 47 | 490 |
| **Non-segmental cost / income** | | | |
| Fund raising costs | **-** | - | (125) |
| Exceptional items | **-** | - | 4,152 |
| **Total profit before tax** | **761** | 47 | 4,517 |
| Taxation expense | **(206)** | (18) | (256) |
| **Profit for the period** | **555** | 29 | 4,261 |
| **Assets** | | | |
| APC | **5,910** | 5,938 | 6,839 |
| Minimise | **4,770** | 1,507 | 4,191 |
| Assets not attributable to segments | **5,418** | 137 | 4,339 |
| **Total Assets** | **16,098** | 7,582 | 15,369 |
| **Liabilities** | | | |
| APC | **(1,764)** | (3,369) | (2,303) |
| Minimise | **(2,950)** | (618) | (2,454) |
| Liabilities not attributable to segments | **-** | (83) | (21) |
| **Total Liabilities** | **(4,714)** | (4,070) | (4,778) |
| **Other** | | | |
| Net finance expense | | | |
| APC | **19** | 49 | 79 |
| Minimise | **11** | 23 | 13 |
| | **30** | 72 | 92 |
| Capital expenditure | | | |
| APC | **13** | - | 19 |
| Minimise | **135** | 30 | 94 |
| | **148** | 30 | 113 |
| Depreciation | | | |
| APC | **14** | 19 | 35 |
| Minimise | **26** | 21 | 53 |
| | **40** | 40 | 88 |

| **Revenue by geographic location** | **28 February 2014**<br>**(unaudited)**<br>**£000** | 28 February 2013<br>(unaudited)<br>£000 | 31 August 2013<br>(audited)<br>£000 |
|---|---|---|---|
| UK | **11,302** | 8,425 | 20,162 |
| North America | **76** | 80 | 195 |
| Far East, Europe and other | **720** | 682 | 1,300 |
| **Total revenue** | **12,098** | 9,187 | 21,657 |

### 5. Earnings per share

The calculation of basic earnings per share is based on the profit after taxation for the period and the weighted average number of shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding by the dilutive effect of ordinary shares that the Company may potentially issue relating to its share option scheme and warrant outstanding. Where the effect of the above adjustments is anti-dilutive they are excluded from the calculation of diluted earnings per share.

The profit for the period and the weighted average number of shares used in the calculations are set out in the following table: -

for the 6 months ended 28 February 2014

| | **6 months to 28 February 2014 (unaudited) £000** | 6 months to 28 February 2013 (unaudited) £000 | Year to 31 August 2013 (audited) £000 |
|---|---|---|---|
| Earnings attributable to equity share holders | **689** | 7 | 4,065 |
| | **Number of shares thousands** | Number of shares thousands | Number of shares thousands |
| Basic average number of shares in issue | **57,883** | 29,580 | 35,089 |
| Effect of dilutive potential shares | **1,819** | 1,560 | 1,234 |
| | **59,702** | 31,140 | 36,323 |
| **Earnings per share** | **Pence** | **Pence** | **Pence** |
| Basic earnings per share | **1.2p** | 0.0p | 11.6p |
| Diluted earnings per share | **1.2p** | 0.0p | 11.2p |

There were 58,162,813 shares in issue at 28 February 2014.

### 6. Non-controlling interests

On 1 November 2013 the Group acquired the non-controlling interest in Minimise Energy Limited, see note 3.

In the period the Group established a new subsidiary in Florida, USA for the promotion of Minimise products and services. The legal entity, Minimise Energy Americas LLC is 60% owned by the Group and 40% owned by non-controlling interests. The non-controlling interests invested US$800,000 (£506,000) for its share of the equity of Minimise Energy Americas LLC and the Group has invested its knowhow into the business.

As at 28 February 2014 the investment in Minimise Energy Americas LLC, together with its wholly owned subsidiary, Minimise Energy Canada Ltd, were the only non-controlling interest in Group subsidiaries.

### 7. Copies of Interim report

The interim report is available to view and download from the Company's website at www.apc-plc.co.uk. If shareholders would like a hardcopy of the interim report, they should contact the Company Secretary.